

SECRET CONTROL
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CLASSIFICATION

TO : CHAOS 33
FROM : [Signature] *Per 50*

DATE: MAY 28 1952

SEARCHED: Intelligence/CIA-DO

REASON: Negotiations for Sale of Greek Material to Egypt.

1. The following information was given orally by [Signature] on the subject project of the letter. [Signature] obtained the information from an unnamed informant, CIA-DO.
2. According to [Signature], the American Embassy in Athens referred his proposal to Washington for selling Greek-made material to Egypt, and received the reply that the American government had no objections. In fact, though [Signature] did not say so directly, indicated that the American government favored the continuation of his negotiations. However, [Signature] stated, he realized the gravity of his deal and sought to prevent the American government's knowledge. Owing to this, the British sought to reassess their Foreign Minister [Signature] to prevent negotiations and failed. In this, the British took the matter to Prime Minister [Signature], where apparently the matter has rested.
3. [Signature] and [Signature] (who owns the Greek factory which would produce the arms for Egypt) sought means to bring counter-pressure upon the Greek government. Subject stated they are giving no hint that they have knowledge of British interference.
4. [Signature] is declared he has conferred with Prime Minister [Signature] and related that [Signature] as it takes seven days to get a letter from Athens to Egypt, he was given a liaison position with Intelligence at the American Embassy in Athens, which was administered by the Egyptian Security Department, Inc., which he utilized upon his arrival in Egypt. Subject explained that he had to be "very very cleared" for his conference with [Signature]. However, as subject stated, "it apparently takes seven days here to effect delivery of a letter once it is written in Egypt. Since he did not receive notification of his clearance during that time, he informed his conference with [Signature] through other channels.
5. Subject said he received notification from the local Egyptian Embassy that an Egyptian delegation was in Athens on 22 May 1952 to establish a credit of £100,000 pounds with the Bank of Greece for the purchase of Greek armaments. [Signature] is then pointed out that there are approximately 700,000 Greeks residing in Egypt, and that if a sympathetic visa was issued by the Greek government to concern the Egyptian

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declaration's proposal to purchase small arms and ammunition, this would further insure the protection of Greek subjects in Egypt. This material, he said, was also procurable on the open market elsewhere. GADMET stated that a \$40,000,000 dollar deal for Greece meant a "lot of money" and that if the negotiations are unsuccessful, the Americans would have to "cut out" accordingly. He stated that, as he had predicted, "Barbarinis was coming back from Washington empty handed and was likely to apply for a 100,000,000 dollar loan from the International Bank".

6. [] was asked by [] if he thought KEMP was trying to include himself in the negotiations. [] said that he had seen KEMP's picture in the Atkins papers and [] the translations of notices of his visit. GADMET replied - "No, no. KEMP talked with SCASSIUS about building an arms factory in Egypt." When GADMET was asked if KEMP had come to the Egyptian [] said, "The answer was 'No'. SCASSIUS asked [] directly, "Are you certain he didn't meet []?" and the reply was "Positive". GADMET asked, "Did [] confer with the [] [] []?" and GADMET replied, "I don't know that".
7. [] stated that the French firm Manurin was building an arms factory [] a jet plane factory in Egypt [] under the terms of the contract will sell each plant for 3,000,000 pounds to the Egyptian government after twenty-five [] have been produced.
8. When [] asked GADMET why the British were interfering, the conversation was interrupted.
9. GADMET then discussed the fact that the Greek government had received quantities of armable material from the United States under the ECAU program. One of the items involved 5,000 planes which, according to GADMET, "can't be sold in Greece for 50 cents apiece". He, however, said that he offered to pay five dollars apiece for the planes with the object of selling them to Egypt with cotton as payment. He did not say whether or not he had a buyer for the Egyptian cotton. Later GADMET said that he had just bought 2,000 tons of Egyptian cotton.
10. GADMET then indicated that there were important international negotiations at present and that he predicted the British were presently seeking to negotiate a secret treaty between England, Germany and the Soviet Union. The British believe they can use the Soviets and vice-versa. He was asked, "Do you think the Germans will fall for it?", and he answered that he didn't, but whoever had Germany as an ally would win the next war.
11. England, he said, wants her own constellation of nations in Europe, independent of the United States and above that America is going to stop all economic aid to Europe, because - even though the Americans found out the difficult way - she realizes that after all the aid she has

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Given, the European nations should now be self-sustaining; these nations either do not have the will, or do not wish to get "on their feet", or they are pro-Atlantic secretly and independently of the United States. (SODA) I said not to forget the "hundreds" of British ships which are supplying aid to the Chinese Communists. England does not want to lose this business.

12. Of course, (SODA) I continued, the United States will have to continue arms production and give military aid to her allies to stay strong. It is the only way to prevent a war; the Americans are caught in a dilemma, however, for if they should stop arms production, the result would be a disastrous depression.

C. Glodstone/AGB

recd

26 May 1953

Distributions

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